

FISCAL NOTE

Bill #: SB0011

Title: Allow charging fees for certain child support enforcement services.

Primary Sponsor: John Cobb

Status: As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY 2003 Difference</u>	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
Expenditures:			
General Fund	740,602	1,372,432	1,454,778
Federal Special Revenue	(466,397)	(1,372,432)	(1,454,778)
Revenue:			
General Fund	980,868	2,079,442	2,204,210
Federal Special Revenue	(647,372)	(1,372,432)	(1,454,778)
Net Impact on General Fund Balance:	\$240,266	\$707,010	\$749,431

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached	X		Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

1. The Child Support Enforcement Division (CSED) will use the same method for recovery of costs previously approved by the federal Office of Child Support Enforcement in 1998.
2. This Bill requires both state and federal share of fee revenue to be paid into the general fund.
3. There will be an expenditure from the general fund in the amount of the federal share of fee revenue to offset the lost federal revenue to CSED.

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4. Because of the time required for programming, rule enactment, notice and federal approval, there will be no revenue generated by obligor fees in this fiscal year.
5. The bill has revenue being collected from both the obligor and the obligee parents. This collection would not be from both parents at any one time, the obligee would only pay in those situations where the fee cannot be reasonably expected to be collected from the obligor parent.
6. CSED experience is that the collection rate is 80% for an obligee fee and 25% for an obligor fee.
7. Revenue is estimated by utilizing a \$7.00 per warrant fee.
8. To provide an estimate of the anticipated revenue that could be to be collected the below fiscal impact calculations are based on collecting the 80% from the obligee parents. For those instances of fee collection from an obligor parent, the obligee parent would not be paying.
9. The number of warrants issued is estimated at 175,155 for FY 2003 (for January through June, 2003), 371,329 for FY 2004 and 393,609 for FY 2005. The number of warrants issued is based on an increase of 6% per year. The number of warrants for 2003 is one half of the total because fees could not be implemented before January 2003.
10. The state share is 34% of the fees collected the federal share is 66%. The federal share would be deposited to the general fund and the federal child support payments to the CSED would be reduced in a like amount.
11. Operational expenses would be incurred for the program methodology to be established for fee collection from obligor and obligee parents. Obligee collections have been assessed in previous years and the process would be less extensive than the procedures to be implemented for the obligor method of fee collection.
12. One-time operational cost estimate for expenses are based on the 1998 fee implementation procedures. This consisted of a study by the University of Montana for \$4,000, legal fees of \$73,937, SEARCHS computer program enhancements \$175,000, mass mailing for parents \$20,158 and increased phone charges of \$1,110. The costs for the computer would be \$155,000 for the obligor portion of the programming and \$20,000 for the obligee portion.
13. Revenue estimate for FY2003 is 175,155 warrants x \$7.00 x 80% collection rate = \$980,868 in fees.
14. Revenue estimate for FY 2004 is 371,329 warrants x \$7.00 x 80% collection rate = \$2,079,442 in fees.
15. Revenue estimate for FY2005 is 393,609 warrants x \$7.00 x 80% collection rate = \$2,204,210 in fees.

FISCAL IMPACT:

	<u>FY 2003</u> <u>Difference</u>	<u>FY 2004</u> <u>Difference</u>	<u>FY 2005</u> <u>Difference</u>
<u>Expenditures:</u>			
Operating Expenses	274,205	0	0
<u>Funding:</u>			
General Fund (01)	740,602	1,372,432	1,454,778
Federal Special Revenue (03)	(466,397)	(1,372,432)	(1,454,778)
TOTAL	274,205	0	0
<u>Revenues:</u>			
General Fund (01)	980,868	2,079,442	2,204,210
Federal Special Revenue (03)	(466,397)	(1,372,432)	(1,454,778)
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>			
General Fund (01)	240,266	707,010	749,431

TECHNICAL NOTES:

1. Cost recovery fees may be used only to offset state and federal costs to operate the child support enforcement program. Without an appropriation of general fund in like amount, the equivalent the child support enforcement program budget will be reduced as the funding to the CSED from the federal government will be reduced by the federal government's 66% share of the recovery. If the collections were deposited to a state special revenue account for CSED operations, this loss would not occur. 45 CFR 304.12(b)(4)(iii); 45 CFR 304.23(e); 45 CFR 304.50(a).
2. Rulemaking will be necessary to implement the fees. This process will take 3-4 months, depending on the amount of public comment received. Implementation is estimated to be January, 2003.
3. When fees were previously charged, actions before the Human Rights Commission, state district court and federal court were pursued against the CSED. As part of the settlement of the federal case the plaintiffs reserved the right to pursue claims against the state in state district court relative to the handling fee issue. In addition to the possible reactivation of the handling fee complaint by that case, the CSED might expect litigation from additional obligees and from obligors. Based on this past experience, \$73,937 is included for attorney fees.